From: Harlan Smith <hwsmith@cris.com>
To: "'FTC, Office of the Secretary [y2k@ftc.gov]'" <y2...
Date: 5/30/98 5:14pm
Subject: Response to: "FTC Seeks Input About Year 2000 Problem and its Impact on Consumers"

FTC
Office of the Secretary
6th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Sirs:

Responding to your request for a response to the following:

"To be helpful to consumers in the future, we need to focus on the
potential problem, the solutions that industries and government agencies
are contemplating, and the impact on consumers," Jodie Bernstein, Director
of the FTC's Bureau of Consumer Protection, said. "We'll be sharing our
findings with industry and consumers. Ideally, the comments will lead to
discussions of solutions that will benefit everyone. For example, if
hardware or software solutions are impractical for some consumer products,
will companies offer refunds, rebates, or replacements? We are seeking
creative approaches for these new challenges."

as posted at http://www.ftc.gov/opa/9805/y2k.htm

I submit the following document:

It is also available at http://www.scotsystems.com/harlany2k.html

Harlan Smith
http://www.cpsr.org/program/y2k/

The Year 2000
Clock Is Ticking

In the conclusion of the childhood classic, the wolf came!

Recent data I have received has convinced me that less than 22% of manufacturers and vendors have an answer for their Year 2000 problems. These are your vendors and your suppliers. People and organizations that hold the key to your success or failure in the business of selling gas and groceries.

The biggest mistake most of us make is assuming that this problem will just go away. The Y2K **problem is real, and there is no fix.** Convenience store operators and jobbers should take *special note* of this issue because your group has a potential to benefit from it or to suffer its consequences. Your specific fate will be determined by your assumptions and actions from this date forward. Yes, I said "**assumptions**". Because far too many of you *assume that the problem is out of your hands* or worse, **that there is no problem!**

$"W$hat can I do," you ask? "I'm no computer expert! I don't even understand computers!"

Well there are plenty of things you can do, but **most of you have plans to do nothing** and that is scary. From a business person's viewpoint, you are correct in assuming that you can have no *direct* impact on the problem itself. That is in the hands of the government and the computer experts. And as a whole, ***they ain't doing so good***. It's up to you to protect your customers, your employees maybe even your vendors. So let's talk about what you, as a retail convenience store operator or an oil jobber **CAN** do to get prepared for **January 1, 2000.**

The Year 2000 event is much like a hurricane that is approaching your community. We know the approximate time that it will arrive, and we have at least some period of time to prepare ourselves for its arrival. Some of you are feeling the winds already, some will sustain minor damages and others will be wiped off the face of the map.

So let's talk about the possible events that may occur so that you can develop a plan to be prepared for it:

NEW! The Year 2000 may come early.

Plan on getting financing for future projects **ASAP**. Lendors will begin requiring proof of Year

2000 compliance before making or renewing existing bank loans. This could **delay or eliminate your chances of acquiring needed funds** for planned projects.

Your bank may have to close it's doors.

In the first week of February, the **GAO** reported that as many as 700-800 major banks <u>may have to shut their doors</u> because of Y2K problems. How will this effect your local bank? - the place where you keep your money? I won't go so far as to say you might lose your deposits forever, but **you could have limited access to your money for an indeterminate period**. Are you prepared to operate your enterprise without cash for a period of time?

Your store shelves and fuel tanks may be bare.

Is your grocery supplier and your fuel supplier **Year 2000 ready**? Have you asked them? What will you ask them? Will they understand your question? What will you say when your customers ask you? What should you say? **The odds are 5 to 1 against you** that your grocery suppliers have a plan in place to address their Y2K predicament. You see, **they don't understand it either**. Your order might be canceled because their computer may think **you haven't paid your bill since December of 1899**. "No problem," you say. "I'll just call them and straighten it out!" Yeah, <u>you and 3,000 other customers will be calling at the same time</u>. Major fuel suppliers may be better off, **maybe not**. We have no way of knowing that because **78% of them aren't talking**. Local jobbers may be in the worst position to attain Y2K compliance. Operating primarily off of *personal computers*, most small fuel jobbers don't have the resources to fix their problems. Many of their software suppliers have <u>lost their developers</u> and don't have the resources to make their programs Y2K compliant.

You may be without electrical power for a time.

The electrical power companies are having **real problems**. But most have warned to <u>expect some interruptions in electrical services</u>. Can you pump gas or ring up sales during power outages? How about the memories on your equipment? **How will you function with intermittent power problems?** How about sustained power outages of days or even weeks?

Will you be sued by customers and vendors?

Did you know that <u>if you fail to take action</u> **you may be liable for inconveniences of others** caused by your Year 2000 problems? If you can't collect your money, **how will you pay your bills**, your employees, your bankers? **Will you be able to collect your money?** Do you know that for sure? As you read this, lawyers are attending Year 2000 litigation seminars all over the world. It's estimated that our court systems **will be clogged** with Year 2000 issues through the next decade. Who'll get the lion's share of these settlements? Do I have to tell you?

Is your computer Year 2000 Ready?

I only know of two computer hardware systems that are. Everybody else is **still working on the problem**! I recently spoke at a meeting where one attendee reported that his son was <u>part of a 100 man team</u> to solve a major vendor's Year 2000 problems and **there's no end in sight for them**. If the company that sold you your computer won't tell you **in writing** that your system will continue to function normally after 1/1/2000, **look out!** It probably won't.

The **general myth** being accepted around the world is that <u>only mainframe systems are susceptible</u> to this terrible bug. The fact is that mainframes with "legacy software" (software developed in the 60's, 70's and 80's) that cannot be updated will die. The fact is that **most all software developed in that time frame will perish**. The type of <u>computer hardware has little to do with it</u>. If someone is still operating on hardware that was purchased prior to 1990, they may have no recourse but to replace their old computers with new equipment.

Personal computers, including the newer Pentiums are **not immune to the Year 2000 Bug**. The fact is that 80% to 90% of the world's computers **will malfunction** before, during and after the turn of the century. Computer systems that are dependent on multiple vendors for networks and software are especially vulnerable. In order to make these systems Y2K compliant, you will have to deal with as many as **nine different vendors** to keep one computer working. And each one of those vendors will be dealing with **thousands of others vendors and customers** when you need their help. **The prognosis is pitiful.** It's only reasonable to assume that a computer system that is dependent on the least number of vendors is far more likely to keep working than those that require multiple vendors for compliance.

Will you be prepared for the social chaos?

Of all the enterprises that will be affected the most by the Year 2000 problem, the federal government is by far **the most vulnerable. Their systems are in shambles.** Mostly controlled by those so-called "legacy systems", the software for these computers was written in the stone age by individuals who have long since **retired, died, or moved into the private sector.** With them, the human readable computer code has been **destroyed or misplaced** as well. The government has been running on ancient (non-modifiable) computer software for eons. The IRS is running on systems that **were obsolete in the mid to late 1980s.** The federal government has no alternative but to dismantle the IRS and search for alternative methods to collect the nation's taxes. **You will be expected to become even more of a tax collecting agency for the federal government than you already are.** As your bookkeeping requirements become more demanding, your costs will escalate as well.

State governments, because of their size, are only slightly better off. **Who will make the welfare payments?** The food stamp distribution? Who will manage the thousands upon thousands of government programs that many of our citizens have learned to rely on as their *way of life*? Who will feed them, keep them warm and see to their basic needs? How will this group of people react to the mere inconvenience of not getting their government check on time? **How will they react to the end of the welfare state?**

Have you taken an inventory of your susceptible equipment?

This above all, is the **best single piece of advice** that anyone can give you between now and December 31, 1999. Take an inventory of every piece of equipment that you own that operates off of electricity. Obvious targets such as cash registers, computers and pump controllers are easy. Here are a few you may not have considered:

- Telephone equipment
- Trucks and vehicles
- Electrical lighting systems
- Walk-in coolers
- Hand-held computers
- Electric doors
- Air conditioning and heating systems (especially the thermostat controls)
- Fryers and cooking equipment
- Tank monitoring equipment
- Electronic time clocks
- ATM machines
- Computer software programs on all mainframes and personal computers

These are but a few examples of equipment that might be overlooked. Make a detailed list of each one of these items including, **date of purchase, manufacturer, model and serial number** and any upgrades that have been added to the equipment that you are aware of. Prepare a letter to each manufacturer, stating the information collected above and **demand that they respond within a two week time frame** as to any Year 2000 related problems you might expect in using this equipment before, during and after January 1, 2000. The probability is high that **there will be only**

a small percentage of respondents. Follow up within two weeks with a certified letter emphasizing the seriousness of your request. Again, don't expect a high percentage of replies to this second inquiry.

Beware of anyone who tells you that their equipment or software is compliant but **refuses** to put it in writing. I know for a fact that **there is software and equipment being peddled today that is not Year 2000 compliant**. Above all, don't trust what a salesman tells you. Most salespeople don't understand the equipment and software that they are selling, much less the internal workings of their products.

What's the purpose of this exercise? When you are sued due to the failure of a piece of equipment you acquired from a third party, you will need to prove that you made every effort possible to inquire as to the nature of any Year 2000 problems that piece of equipment might cause. It's an inexpensive step that might **save you big bucks** when the time comes for your day in court. Above all, **speak to your attorney** about this soon. I will be happy to direct you or anyone representing you to sources of additional information on this issue.

Now to those of you who would accuse me of "crying wolf" over this issue, remember in the end of this childhood literary classic, **the wolf came!**

If you would like help in evaluating and limiting your Year 2000 exposure, email us and we will be glad to discuss it with you.

Regards,
Bill Scott
President ScotSystems Inc.